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TALKING PAPER

TOPIC: Failure of Government of Khmer Republic (GKR) to Move Toward Self-Sufficiency

BACKGROUND:

- NSDM 89 (Oct 70) set U.S. objective "to promote GKR self-sufficiency."
- In large number of areas, GKR is failing to use civil institutions/imports to sustain its war effort (See Tab A for details).
- One key reason is because economic assistance has been moving very slowly (only half of FY 71 funds have been utilized by GKR; only $2 million equivalent of local currency has been released by AID to GKR).
- AID officials contend delays in economic aid due to inefficient requisitioning by GKR; Khmer officials blame restrictive AID procedures.
- AID has applied restrictive criteria: (1) AID funds are not available for construction projects, and (2) AID is strictly adhering to internal directive (Tab B) which prohibits AID financed imports for direct or indirect support of military effort (DOD waived comparable restrictions on commercial items in MAP in Oct 70 - See Tab C).
- AID cut FY 72 security supporting assistance funds by over 70% (from $110 million Congressional presentation level to $37 million) without any consultation with DOD as to impact on Cambodia MAP program.

PROBLEMS:

- Failure to utilize civil institutions/imports to support Khmer war effort is placing heavy burden on MAP (about $40 million of commercial items in FY 72/73 programs).
- AID's 70% cut in FY 72 security supporting assistance may cause Congressional problems in FY 73: (1) undermines credibility of FY 73 request for $75 million of security supporting assistance, and (2) total FY 72 U.S. assistance will be about $240 million vice "Fulbright Ceiling" of $341 million; this may provide grounds for a much lower ceiling in FY 73.
- Failure to utilize civil institutions/imports to sustain war effort is forcing Khmer military to take over many support functions which would be handling through existing civil institutions; this diverts military away from main combat role and may lead to unnecessary over-militarization of Khmer society.

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RECOMMENDATIONS:

- Obtain waivers of AID internal regulations to permit economic aid funds, to be used: (a) to support construction projects, and (b) to import raw materials and commercial items for military purposes.

- Instruct U.S. Country Team to press GKR to identify local currency and import requirements needed to implement projects on enclosed list (DOD to provide survey team of defense mobilization and production experts if needed).

- Use DOD logistic channels to expedite delivery of AID-financed imports (AID and GKR officials appear to be confronted with insurmountable obstacles in arranging for timely delivery of AID imports).

- Press for increase in FY 72 security supporting assistance to the $70-80 million level recommended by the Secretary of State (See Tab D).

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